UNITED
NATIONS

E

Economic and Social Council

Distr.
GENERAL

E/1992/26/Add.1
28 May 1992

ORIGINAL: ENGLISH

Substantive session of 1992
29 June-31 July 1992

REPORT OF THE COMMISSION ON TRANSNATIONAL CORPORATIONS ON THE SECOND PART OF ITS EIGHTEENTH SESSION*
(8-16 APRIL 1992)

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* The present document is a mimeographed version of the report of the Commission on Transnational Corporations on its eighteenth session. The final report will be issued as Official Records of the Economic and Social Council, 1992, Supplement No. 6 (E/1992/26).

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SUMMARY

The second part of the eighteenth session of the Commission on Transnational Corporations focused on the role of foreign investment in the rapidly changing world economy. The key features of this changing context are an expanded role of the private sector in development, rapid technological innovation, the globalization of industries and the regionalization of economic activitiy around the triad (Japan, the United States of America and the European Community). Transnational corporations are at the centre of these developments and are therefore in a position to play an important role in fostering economic growth among developing countries in the 1990s.

Foreign direct investment

In light of the reorganization of the United Nations Secretariat, member States reaffirmed that the Commission, and the Transnational Corporations and Management Division of the Department of Economic and Social Development of the Secretariat, were focal points within the United Nations system for matters concerning foreign direct investment as it relates to transnational corporations and that the mandate of the former United Nations Centre on Transnational Corporations was fully subsumed under this Division.

The Commission requested the Division to examine ways and means of assisting member States, in particular developing countries, in attracting foreign investment. The Commission referred, inter alia, to the development of endogenous capacity conducive to foreign investment, the setting-up of joint ventures and free economic zones and the transfer of technology. The role of transnational corporations in the development of small- and medium-sized enterprises was also referred to in this regard.

Privatization and foreign investment

Recognizing that numerous countries attached growing importance to the privatization of enterprises in the context of economic restructuring, the Commission stressed the role that foreign investment could play in the process of privatization in those countries and requested an enhancement of technical cooperation activities to all interested States in order to assist in the implementation of privatization programmes.

Transnational corporations in South Africa

The Commission, in a consensus resolution, invited Governments and enterprises, including transnational corporations, to give their full and concerted support to the demise of the apartheid system, as well as to take appropriate measures regarding the vulnerable and critical process now under way in South Africa, with the aim of achieving the total eradication of the apartheid system and the establishment of a united non-racial and democratic South Africa.

CONTENTS

Chapter		Paragraphs	Page
I.	MATTERS CALLING FOR ACTION BY THE ECONOMIC AND SOCIAL COUNCIL OR BROUGHT TO ITS ATTENTION	1 - 3	4
	A. Draft resolutions	1	4
	B. Draft decision	2	8
	C. Matters brought to the attention of the Council ..	3	10
II.	GENERAL DISCUSSION ON TRANSNATIONAL CORPORATIONS IN THE WORLD ECONOMY AND TRENDS IN FOREIGN DIRECT INVESTMENT IN DEVELOPING COUNTRIES	4 - 15	13
III.	TRANSNATIONAL CORPORATIONS IN SOUTH AFRICA	16 - 31	17
IV.	INTERNATIONAL ARRANGEMENTS AND AGREEMENTS RELATING TO TRANSNATIONAL CORPORATIONS	32 - 39	23
V.	ACTIVITIES OF THE FORMER UNITED NATIONS CENTRE ON TRANSNATIONAL CORPORATIONS	40 - 78	25
VI.	QUESTION OF EXPERT ADVISERS	79 - 83	37
VII.	PROVISIONAL AGENDA FOR THE NINETEENTH SESSION OF THE COMMISSION	84 - 85	39
VIII.	ADOPTION OF THE REPORT OF THE COMMISSION ON THE SECOND PART OF ITS EIGHTEENTH SESSION	86	40
IX.	ORGANIZATION OF THE SESSION	87 - 101	41
	A. Opening and duration of the session	87 - 89	41
	B. Attendance	90 - 95	41
	C. Election of officers	96 - 99	42
	D. Adoption of the agenda and organization of work ..	100	42
	E. Documentation	101	42

Annexes

I.	AGENDA OF THE SECOND PART OF THE EIGHTEENTH SESSION	43
II.	DOCUMENTS BEFORE THE COMMISSION AT THE SECOND PART OF ITS EIGHTEENTH SESSION	44

Chapter I

MATTERS CALLING FOR ACTION BY THE ECONOMIC AND SOCIAL COUNCIL OR BROUGHT TO ITS ATTENTION

A. Draft resolutions

1. The Commission on Transnational Corporations recommends to the Economic and Social Council the adoption of the following draft resolutions:

DRAFT RESOLUTION I

Activities of transnational corporations in South Africa*

The Economic and Social Council,

Recalling its resolution 1991/54 of 26 July 1991,

Taking note with appreciation of the report of the Secretary-General on the role of transnational corporations in South Africa, 1/

Recalling the Declaration on Apartheid and its Destructive Consequences in Southern Africa, adopted by the General Assembly at its sixteenth special session, 2/ which contains guidelines on how to end apartheid through genuine negotiations,

Welcoming the recent developments in South Africa, including the repeal or amendment of the major apartheid laws, the formation of the Patriotic/United Front, the ongoing process of negotiations, inter alia, under the auspices of the Convention for a Democratic South Africa, and the outcome of the whites-only referendum of 17 March 1992,

Gravely concerned about the escalation of politically inspired violence in South Africa despite the signing of the National Peace Accord on 14 September 1991,

Reiterating the urgent need for the removal of the remaining obstacles to the creation of an atmosphere conducive to constitutional negotiations,

Mindful of its obligations towards the complete eradication of apartheid, reaffirmed in General Assembly resolutions 44/244 of 17 September 1990, 45/176 A of 19 December 1990 and 46/79 A of 13 December 1991,

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* For the discussion, see chap. III below.

1/ E/C.10/1992/6 and Corr.1.

2/ General Assembly resolution S-16/1, annex.

1. Welcomes the recent positive political developments in South Africa, which enhance the possibilities for the total eradication of apartheid in South Africa;

2. Reaffirms that Governments, entrepreneurs and enterprises, including transnational corporations, have contributed to the demise of the apartheid system, and invites them to give their full and concerted support to this end, as well as to take appropriate measures regarding the vulnerable and critical process now under way in South Africa, with the aim of achieving the total eradication of the apartheid system and the establishment of a united non-racial and democratic South Africa;

3. Requests the Secretary-General:

(a) In close cooperation with the relevant organs of the United Nations, to continue the work of collecting and disseminating information on the activities of transnational corporations in South Africa, including the list of transnational corporations conducting operations there;

(b) To continue preparing studies on the level, form and responsibilites of operation of transnational corporations in South Africa, including their non-equity business arrangements and their involvement in particular sectors of the South African economy;

(c) To continue examining possible contributions of transnational corporations to the construction of a united and non-racial democratic South Africa in the economic and social fields, taking into account the special need for development in the areas of human resources, particularly the training of black South African entrepreneurs, employment, housing and health;

(d) To report to the Commission on Transnational Corporations at its nineteenth session, the Economic and Social Council and the General Assembly on the implementation of the present resolution.

DRAFT RESOLUTION II

Activities of the former United Nations Centre on Transnational Corporations and of its successor, the Transnational Corporations and Management Division*

The Economic and Social Council

1. Takes note of the reports of the Secretary-General on trends in foreign direct investment, transnational corporations and economic growth through technology, transnational corporations in the new world economy: issues and policy implications, the international framework for transnational corporations and the activities of the former United Nations Centre on Transnational Corporations and its joint units;

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* For the discussion, see chap. V below.

2. Reaffirms that the Commission on Transnational Corporations and the Transnational Corporations and Management Division of the Department of Economic and Social Development of the Secretariat are focal points within the United Nations system for matters concerning foreign direct investment as it relates to transnational corporations and that the mandate of the former United Nations Centre on Transnational Corporations is fully subsumed under this Division;

3. Emphasizes the importance of the research, technical cooperation, advisory services, training programmes and information services provided by the former United Nations Centre on Transnational Corporations to the States Members of the United Nations, and, to this end, affirms the importance of maintaining these activities and programmes as well as improving upon them as appropriate under the new administrative arrangements;

4. Notes the need for the Commission to examine, during its next session, the activities and programme of work of the Division in the field of foreign direct investment as it relates to transnational corporations in order to ensure coordination with, and avoid duplication of, the activities of other United Nations bodies;

5. Stresses the importance of transparency in the area of foreign direct investment, and requests the Division to contribute towards increasing that transparency in the framework of its technical assistance and information activities;

6. Takes note of the report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, and reaffirms the importance of its work in contributing towards greater transparency in the activities of transnational corporations;

7. Requests the Division to assist developing countries in the creation of a favourable investment climate and, to that end, in the development of their endogenous capacity conducive to the encouragement of foreign investment;

8. Also requests the Division to continue to include in its technical cooperation activities advice on the interrelationship between foreign direct investment and interregional, regional and subregional economic integration;

9. Further requests the Division to examine ways and means of assisting member States, in particular developing countries, in attracting foreign investment, inter alia, through the setting-up of joint ventures and free economic zones;

10. Calls upon the Division to strengthen its work concerning cooperation in and related to the transfer of technology;

11. Requests the Division to strengthen its activities in matters relating to the role of transnational corporations in the development of small- and medium-sized enterprises;

12. Also requests the Division to study the effects of deregulation and privatization policies in developing countries on attracting foreign direct investment flows and, in this context, to make appropriate recommendations thereon;

13. Takes note of the consultations being undertaken by the President of the General Assembly in accordance with General Assembly resolution 45/186 entitled "Code of conduct on transnational corporations";

14. Encourages the Division to strengthen and further develop the functions of the joint units established with the regional commissions, especially by developing programmes that are adapted to the needs of the respective regions;

15. Invites donor countries, particularly developed countries, to provide extra financial support for the research, advisory and information work of the Division so as to further contribute to a better understanding between transnational corporations and developing countries;

16. Requests the Division to pay attention in particular to developing countries, especially least developed countries and other countries in Africa that have faced a drop in foreign direct investment inflows, and to report thereon to the Commission on Transnational Corporations at its nineteenth session;

17. Takes note of the conclusions of the United Nations symposium on globalization and developing countries, held in The Hague on 30 March 1992, and requests the Secretary-General, in collaboration with the United Nations Conference on Trade and Development and other organizations, to develop a joint programme on the interrelationship of investment, trade, technology and development, with a view to enhancing the contribution of transnational corporations to the development of developing countries through trade and investment, for consideration by the Commission on Transnational Corporations at its nineteenth session.

DRAFT RESOLUTION III

Privatization and foreign investment in the context of economic restructuring*

The Economic and Social Council,

Recognizing the fact that numerous countries attach growing importance to privatizing of enterprises, administrative deregulation, increased competition, open markets and demonopolization of their economic activities as means to increase economic efficiency, growth and development, in the context of their economic restructuring policies,

Stressing the important role that foreign direct investment can play in the process of privatization in those countries,

Taking note of the difficulties those countries encounter in the process of privatization, administrative deregulation and demonopolization of their economic activities,

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* For the discussion, see chap. V below.

Noting the work the former United Nations Centre on Transnational Corporations has performed so far in analysing new approaches to the process of privatization, administrative deregulation and demonopolization of economic activities,

1. Requests the Secretary-General of the United Nations, in coordination with other relevant international organizations, to enhance technical cooperation activities in order to assist all interested countries in attracting foreign investment and transnational corporations so as to contribute to the implementation of privatization programmes, in the context of their economic reforms;

2. Invites the Secretary-General to further explore, through case-by-case studies of foreign investment, new approaches to the privatization and deregulation processes and to the demonopolization of economic activities;

3. Recognizes the need to diversify sources of funding for research and technical cooperation activities and, to that end, invites voluntary contributions to the Trust Fund of the technical cooperation programme of the former United Nations Centre on Transnational Corporations, and requests the Secretary-General to seek to mobilize resources from various sources, including non-governmental organizations, and to report the results to the Commission at its twentieth session.

B. Draft decision

2. The Commission on Transnational Corporations also recommends to the Economic and Social Council the adoption of the following draft decision:

Provisional agenda and documentation for the nineteenth session of the Commission on Transnational Corporations

The Economic and Social Council approves the provisional agenda and documentation for the nineteenth session of the Commission on Transnational Corporations.

PROVISIONAL AGENDA AND DOCUMENTATION FOR THE NINETEENTH SESSION OF THE COMMISSION ON TRANSNATIONAL CORPORATIONS

1. Election of officers.

2. Adoption of the agenda and other organizational matters.

3. General discussion on transnational corporations in the world economy and trends in foreign direct investment to developing countries.

Documentation

Reports of the Secretary-General

4. Role of transnational corporations in newly opened economies.

Documentation

Report of the Secretary-General

5. Transnational corporations in services, including banking.

Documentation

Reports of the Secretary-General

6. International, regional and bilateral arrangements and agreements relating to transnational corporations.

Documentation

Report of the Secretary-General

7. Activities of the Transnational Corporations and Management Division and its joint units.

Documentation

Report of the Secretary-General on the activities of the Transnational Corporations and Management Division

Report of the Secretary-General on experience gained in technical cooperation

Report of the Secretary-General on information activities

Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its eleventh session

Report of the Secretary-General on activities of transnational corporations in South Africa

Report of the Secretary-General on follow-up to the United Nations Conference on Environment and Development as related to transnational corporations

8. Provisional agenda for the twentieth session of the Commission.

9. Adoption of the report of the Commission on its nineteenth session.

C. Matters brought to the attention of the Council

3. The following decision adopted by the Commission is brought to the attention of the Council:

DRAFT DECISION

Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its tenth session and provisional agenda and documentation for the eleventh and twelfth sessions of the Group

The Commission on Transnational Corporations decides:

(a) To approve the report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its tenth session;

(b) To approve the provisional agenda and documentation for the eleventh and twelfth sessions of the Group, as set out below.

PROVISIONAL AGENDA AND DOCUMENTATION FOR THE ELEVENTH AND TWELFTH SESSIONS OF THE INTERGOVERNMENTAL WORKING GROUP OF EXPERTS ON INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING

Eleventh session

1. Election of officers.

2. Adoption of the agenda and other organizational matters.

3. Accounting education and the strengthening of the profession, including:

   (a) Comparative study on curricula for accountants and auditors in Africa, Asia, Europe, Latin America and North America, including pre-qualification and continuing education programmes in public and private institutions and examination and certification programmes;

   (b) Review of training programmes in Africa and Central and Eastern Europe;

   (c) Reports by international and regional organizations;

   (d) Relation between the status of auditors and the level of their education (vis-à-vis other professions).

Documentation

Reports of the Secretary-General and international and regional organizations

4. Provisional agenda for the twelfth session of the Group.

5. Adoption of the report of the Group on its eleventh session.

Twelfth session

1. Election of officers.

2. Adoption of the agenda and other organizational matters.

3. Review of important current developments at the global and national levels in the field of accounting and reporting by transnational corporations.

Documentation

Reports of the Secretary-General

4. Issues identified at the tenth session for discussion:

   (a) Review of current accounting and reporting problems arising during privatization and their solutions;

   (b) Environmental disclosures: international survey of corporate reporting practices;

   (c) Accounting for financial institutions;

   (d) Accounting for government grants;

   (e) Accounting for leases;

   (f) Accounting for business combinations;

   (g) Accounting for concessions.

Documentation

Reports of the Secretary-General

5. Identification of issues of accounting and reporting for discussion on a priority basis during future sessions.

Documentation

Reports of the Secretary-General

6. Provisional agenda for the thirteenth and fourteenth sessions of the Group.

7. Adoption of the report of the Group on its twelfth session.

Chapter II

GENERAL DISCUSSION ON TRANSNATIONAL CORPORATIONS IN THE WORLD ECONOMY AND TRENDS IN FOREIGN DIRECT INVESTMENT IN DEVELOPING COUNTRIES

4. The Commission considered item 3 of its agenda at the 3rd to 5th and 11th meetings of the second part of its eighteenth session, on 8, 9 and 16 April 1992. It had before it the report of the Secretary-General on trends in foreign direct investment (E/C.10/1992/3); the report of the Secretary-General on transnational corporations and economic growth through technology (E/C.10/1992/4); and the report of the Secretary-General on transnational corporations in the new world economy: issues and policy implications (E/C.10/1992/5).

5. The Director of the Transnational Corporations and Management Division of the Department of Economic and Social Development of the Secretariat, in his opening statement, said that the expansion of transnational corporations in a period of economic weakness in a number of large economies indicated that the investment decisions of these firms were being increasingly guided by long-range strategic considerations. At the same time, the Director stated that the continuing concentration of foreign direct investment in the developed market economies suggested the need for more concerted efforts to encourage investments in developing countries. In introducing the reports on this agenda item, the Acting Assistant Director for the Policy and Research Branch of the former United Nations Centre on Transnational Corporations said that despite the growing role of foreign direct investment in world economy, most developing countries had remained relatively marginalized, thus presenting a serious challenge for the world community. The activities of transnational corporations were crucial factors in accelerating the growth of developing countries and in developing and disseminating technology. Finding ways of linking their activities to the needs of developing countries was a major concern. To this end, he stated that countries might want to consider ways of improving transparency in the area of foreign direct investment policies, for the benefit of policy makers as well as potential investors.

6. Most delegations commented on the expanding role of transnational corporations in the world economy. A number of delegations from developed market economies described the substantial growth in both outflows of foreign direct investment from their countries and inflows into their countries. Several developing countries attributed the growth of inflows of foreign direct investment into their economies to policy initiatives and improvements in their economic situation. One delegation noted that an emphasis on national policies and market-based approaches towards foreign direct investment had fostered free enterprise and initiative and created a climate conducive to investment. One delegation discussed the factors leading to increased inflow of foreign direct investment and suggested additional research on the factors contributing to the success of certain investment locations that would benefit all host countries. Another delegation focused on the results of foreign direct investment, including economic growth, job creation and technology transfer. Regional integration was cited by one delegation as an important factor for increased inflows of foreign direct investment. The role of transnational corporations in integrating key

economic activities across national borders was cited by several delegations as indicative of the growing importance of transnational corporations to future growth prospects throughout the world economy. One delegation suggested that investment represented the most stable and permanent form of economic interaction between nations.

7. Many delegations expressed concern about the persistent imbalances in global flows of foreign direct investment. Most delegations addressing the issue commented on the declining share of global flows going to developing countries and the extremely low level of foreign direct investment in the least developed countries and most other countries in Africa. One delegation indicated that foreign direct investments going to Central and Eastern European countries should not occur at the expense of developing countries. Some delegations drew attention to the fact that the absolute amount of foreign direct investment in developing countries had increased substantially. One delegation, speaking on behalf of a large number of developing countries, urged the undertaking of greater efforts to break the cycle of regional disparities, including efforts by home countries to educate transnational corporations regarding investment prospects in Africa and the least developed countries. Another delegation urged transnational corporations to adopt a long-term attitude towards those countries. One delegation stated that international institutions and home countries should adopt measures to increase the flow of foreign direct investment to least developed countries in support of liberalization. The same delegation stressed the need for the establishment of regional investment centres to disseminate information on host country conditions. Another delegation suggested that more research that would serve as a guide for policy makers in other countries be undertaken on the investment climate in host developing countries that had been successful in attracting foreign direct investment.

8. The continuing efforts on the part of host countries to liberalize their policy frameworks drew the attention of a large number of delegations. One delegation noted that market forces often worked slowly but were preferable to extensive interventions. Several delegations from developing countries and countries of Central and Eastern Europe described changes in their policy regimes, including relaxation of restrictions on the operations of transnational corporations; efforts to facilitate the working of market forces, including privatization of State-owned enterprises; fiscal changes designed to reduce tax burdens and increase the profitability of investment; and programmes to improve physical infrastructure and to develop human resources and more open trade regimes. Some delegations indicated that despite liberalization efforts, they had not received the amount of foreign direct investment they had expected. They requested that a study be conducted to determine other factors considered by transnational corporations when making investment decisions. One delegation stated that the decline in military expenditures and the need to convert military production facilities to civilian uses represented an opportunity for expanded foreign direct investment. Some delegations suggested that the most valuable work of the Secretariat (keeping in mind the recent restructuring of the Economic and Social Council) would continue to be institution-building in host countries. That, they stated, would result from a focus on analysis-related dialogue and technical cooperation.

9. Most delegations shared the view that technology was a critical determinant of economic growth of all countries. Technology, including physical goods, as well as know-how used in production and marketing, was closely interlinked with economic development.

10. Many delegations observed that transnational corporations had been the major actors in development of technologies and the principal sources of technologies acquired by developing countries. In the changed international context, transnational corporations had the potential to transfer technologies not merely through foreign direct investment, but also through a variety of other cooperative arrangements including joint ventures, trade and subcontracting.

11. A number of delegations expressed the opinion that the growth-enhancing impact of technology transfer was ultimately dependent on the incentive structure faced by both foreign and domestic enterprises in acquiring, adapting, innovating upon and diffusing technologies. In this context, the importance of the creation of an enabling environment through host country public policies concerning physical infrastructure, human resources development, competition, and research and development was emphasized. In many of these areas, complementary support from the international community was also needed.

12. One delegation expressed the concern that the growing tendency towards internalization of technology by transnational corporations through networks and alliances might pose a barrier to acquisition of technologies by developing countries. Another urged the need for lifting restrictions imposed by some developed countries on technology transfer, particularly in high-technology industries.

13. A number of delegations suggested that a reporting system on laws, regulations and administrative guidelines affecting the activities of transnational corporations be established to increase the transparency of policy frameworks of host countries. One delegation, speaking on behalf of a group of countries, stated that the concept of transparency was useful and that it should be applied to both host countries and transnational corporations. In that context, another delegation stated that a catalogue of investment instruments would help countries that were seeking to attract larger amounts of foreign direct investment and potential investors. Two delegations said that the efforts involved in creating a reporting system were substantial and could duplicate efforts being undertaken in other organizations. Another delegation said that such efforts were useful and should be undertaken in concert with other international organizations.

14. In concluding the session, the Director stated that the Division already had extensive working arrangements with other organizations and would make all efforts to avoid duplication in devising its methodology for obtaining information on policy issues. The Acting Assistant Director, responding to a number of research issues raised during the discussion, stated that other international organizations had already been consulted and that no other organization was systematically and authoritatively assembling policy information on foreign direct investment. He further noted that more comprehensive research on the role of transnational corporations in economic growth was near completion. He stated that the importance of locational

factors and of policy issues as determinants of foreign direct investment required ongoing research efforts and that the general question of the role of foreign direct investment in increasing the competitiveness of nations and of firms would continue to receive attention in the research agenda of the Transnational Corporations and Management Division of the Department of Economic and Social Development of the Secretariat.

Action taken by the Commission

15. The Commission took note of the reports of the Secretary-General on trends in foreign direct investment (E/C.10/1992/3); on transnational corporations and economic growth through technology (E/C.10/1992/4); and on transnational corporations in the new world economy: issues and policy implications (E/C.10/1992/5). The Commission commended those reports for their analytical merit. It requested the Secretariat to continue its work on foreign direct investment and the role of transnational corporations in development and to submit to the Commission on Transnational Corporations at its nineteenth session reports dealing with these matters.

Chapter III

TRANSNATIONAL CORPORATIONS IN SOUTH AFRICA

16. The Commission considered item 5 of its agenda at its 6th and 7th meetings on 10 April 1992. It had before it the following documents:

(a) Report of the Secretary-General on the role of transnational corporations in South Africa (E/C.10/1992/6 and Corr.1);

(b) Report of the Secretary-General on the list of transnational corporations with interests in South Africa (E/C.10/1992/7).

17. In introducing the item, the Assistant Director of the Transnational Corporations and Management Division of the Secretariat said that the country had reached a turning-point in its history, demonstrated by the positive results of the referendum of 17 March 1992, in which 69 per cent of the white electorate had voted for constitutional reform. A successful political transformation would require that economic prosperity be spread among a broader base of the population. At the present time, inequalities persisted, evidenced by the fact that the black population owned only 13 per cent of the land. There was also a high degree of concentration in the economy, as shown by the fact that six corporations owned over 85 per cent of the shares of the Johannesburg Stock Exchange.

18. The Secretary-General's report on the role of transnational corporations in South Africa gave an overall assessment of the impact of sanctions. The report also presented a rather optimistic overall picture for the long term, particularly as the economy was shifting towards a broader manufacturing base and as the foreign trade and investment decisions that had been put on hold before the referendum were now likely to resume their pace.

19. There was agreement among the delegations that sanctions had played a positive role in supporting the internal struggle and influencing the Government of South Africa to take steps to dismantle apartheid. It was now up to the democratic forces of the country to create new economic and commercial opportunities. Delegations commended the former United Nations Centre on Transnational Corporations for the objectivity and balanced nature of the report on transnational corporations in South Africa and for the timeliness of its conclusions, which were in line with the evolving situation.

20. There were two prevailing views among delegations regarding the monitoring of developments in the area by the United Nations. One view stressed that the phased application of appropriate economic pressure on South Africa was still required until the complete dismantlement of apartheid had taken place. A more far-reaching view was that restrictive measures had been or were in the process of being lifted in response to the changes taking place in South Africa in the direction of a democratic constitution and that the focus of the role of the United Nations in the area should shift to determine how transnational corporations could promote economic and social development in a new democratic South Africa, in the context of development in the region as a whole.

21. Within the latter context, one delegation, speaking on behalf of a group of States, felt that the following gradual decisions were needed: in the first stage a decision to lift the ban on new investments and later a decision to lift the oil embargo and the restrictive measures in the cultural, scientific, and sporting fields. Those actions would encourage positive developments in South Africa, in particular the establishment of an interim Government. That group of States was in the process of reviewing the latest application of the Code of Conduct of the European Community in the light of its usefulness as a means of promoting and influencing fundamental changes in South Africa. Through implementation of the Code, European companies had contributed to the dissemination of goals pursued by the European Community and its member States with regard to democracy, a market economy and improved labour relations, which constituted a major issue under discussion within the process of the Convention for a Democratic South Africa (CODESA). That group of States was well aware of the important role transnational corporations could play in South Africa in the creation of much needed jobs and that improvement of labour relations, which would benefit the black workforce, and of the potential activities of transnational corporations in training, and upgrading the skills of, qualified black Africans. The European Community felt that a peaceful post-apartheid South Africa would have a better chance of attracting investment and creating conditions for stable economic growth, which would benefit in particular the black workforce and also the surrounding States of the region. Regarding the future work of the Commission concerning South Africa, current changes should be taken into consideration.

22. Another delegation said that as had been stated in the Secretary-General's report, positive developments had taken place towards a new and democratic regime in South Africa. Among the major developments in that direction was the strong endorsement of reform by President De Klerk and by an overwhelming majority in the referendum held on 17 March 1992. That delegation regarded the reform process under way as irreversible. The role of the Commission would be to focus upon how transnational corporations could promote efforts for the economic and social development of a new and democratic South Africa as part of the development of the southern African region.

23. One delegation, reflecting upon the view that South Africa might generate growth for the whole region as well as the rest of Africa, felt that the role of the new South Africa emerging from the ruins of an apartheid-practising society was not a straightforward one. A democratic South Africa could not be a donor to the rest of Africa because the legacy of apartheid would require its using its domestic resources to lay the foundation for true liberty among apartheid's victims spreading the wealth among them, through employment, an equitable incomes policy, housing, health, education and training. There simply would be no surplus funds for aiding Africa. Therefore, the best possible outcome was the generation and exploitation of mutually advantageous arrangements between South Africa and the rest of Africa. The Organization of African Unity had given itself the challenge of developing an African Economic Community within 33 years. The first step involved the creation of subregional integration bodies in the parts of Africa where they did not exist. The challenge of harmonizing integration bodies in eastern and southern Africa was massive. The question was under what framework a democratic South Africa would be integrated with eastern and southern Africa. For the rest of Africa, bilateral arrangements would be the most likely

outcome. That delegation also felt that the essential task now was to remove all remaining obstacles to the creation of an atmosphere conducive to constitutional negotiations. A critical element of this consensus was the phased application of appropriate economic pressure on South Africa.

24. Some delegations expressed agreement with the view taken in the Secretary-General's report on the potential contribution of transnational corporations in a post-apartheid South Africa. Future reports should define their role further, in particular in the field of training and entrepreneurship development.

25. A representative of a trade union organization stressed the valuable contribution of the former United Nations Centre on Transnational Corporations in the struggle for a united, non-racial, non-sexist, democratic South Africa. He deplored the haste with which Governments had rushed to relax sanctions. He stressed that high rates of employment growth would be essential to a post-apartheid South Africa. Collective bargaining would be needed to address the question of fair wages, and in that regard, a strong trade union movement would be crucial. The private sector must upgrade technology and training for new skills, while the Transnational Corporations and Management Division of the Department of Economic and Social Development of the Secretariat must develop guidelines to encourage companies to accelerate the pace of change in training and education.

Action taken by the Commission

26. The Commission took note of the report on the role of transnational corporations in South Africa (E/C.10/1992/6 and Corr.1) and the report of the Secretary-General on the list of transnational corporations with interests in South Africa (E/C.10/1992/7).

Activities of transnational corporations in South Africa

27. At the 8th meeting, on 13 April 1992, the observer for Liberia, 3/ on behalf of the African States, introduced a draft resolution (E/C.10/1992/L.7) entitled "Activities of transnational corporations in South Africa", which read as follows:

"The Economic and Social Council,

"Recalling its resolution 1992/54 of 26 July 1991,

3/ In accordance with rule 72 of the rules of procedure of the Economic and Social Council.

"Taking note with appreciation of the report of the Secretary-General on the role of transnational corporations in South Africa, 4/

"Reaffirming the Declaration on Apartheid and its Destructive Consequences in Southern Africa, adopted by the General Assembly at its sixteenth special session, 5/ which contains guidelines on how to end apartheid through genuine negotiations,

"Noting the recent developments in South Africa, including the repeal or amendment of the major apartheid laws, the formation of the Patriotic/United Front, the ongoing process of negotiations, inter alia, under the auspices of the Convention for a Democratic South Africa, and the outcome of the whites-only referendum of 17 March 1992,

"Gravely concerned about the escalating apartheid-inspired violence in South Africa despite the signing of the National Peace Accord on 14 September 1991,

"Reiterating the urgent need for the removal of the remaining obstacles to the creation of an atmosphere conducive to constitutional negotiations,

"Mindful of its obligations towards the complete eradication of apartheid, reaffirmed in General Assembly resolutions 44/244 of 17 September 1990, 45/176 A of 19 December 1990 and 46/79 A of 13 December 1991,

"1. Determines that, despite some recent positive developments in South Africa, the system of apartheid is yet to be totally eradicated;

"2. Reaffirms that Governments, entrepreneurs and enterprises, including transnational corporations, have comprehensive responsibilities to deny sustenance to the apartheid system and to remove the gross socio-economic inequities caused by decades of apartheid;

"3. Calls upon transnational corporations to abide by the relevant United Nations resolutions urging the international community to give its full and concerted support to the vulnerable and critical process now under way in South Africa through the phased application of appropriate economic pressure on the South African regime, as warranted by positive developments such as agreement by the parties on transitional arrangements and agreement on a new non-racial and democratic constitution;

4/ E/C.10/1992/6 and Corr.1.

5/ General Assembly resolution S-16/1, annex.

"4. Further calls upon transnational corporations and multilateral financial and development institutions to provide assistance to the opponents of apartheid and the disadvantaged sectors of the South African society, particularly in the fields of health, education and training, employment, housing and integration of environment and development;

"5. Requests the Secretary-General:

"(a) In close cooperation with the relevant organs of the United Nations, to continue the useful work of collecting and disseminating information on the activities of transnational corporations in South Africa, including the list of transnational corporations conducting operations there;

"(b) To continue preparing studies on the level and form of operation by transnational corporations in South Africa, including their non-equity business arrangements and their involvement in particular sectors of the South African economy, and to prepare an updated study on the responsibilities of home countries with respect to the transnational corporations operating in South Africa in violation of relevant resolutions and decisions of the United Nations;

"(c) To continue examining possible contributions of transnational corporations to the construction of a united and non-racial democratic South Africa in the economic and social fields, taking into account the special need for the development of human resources, particularly the training of black South African entrepreneurs;

"(d) To report to the Commission on Transnational Corporations at its nineteenth session, the Economic and Social Council, the General Assembly and the Security Council on the implementation of the present resolution."

28. At the 11th meeting, on 16 April 1992, the Vice-Chairman of the Commission, Mr. Albert Mudenda Muchanga (Zambia), made a statement in which he informed the Commission of the results of the informal consultations held on draft resolution E/C.10/1992/L.7 and drew the Commission's attention to a revised draft resolution (E/C.10/1992/L.7/Rev.1), which he further revised orally as follows:

(a) In operative paragraph 2, the words "have been continuously contributing to the demise of the apartheid system" were replaced by the words "have contributed to the demise of the apartheid system" and the words "valuable and critical process" were replaced by the words "vulnerable and critical process";

(b) In subparagraph 3 (b), the words "level and form of operation" were replaced by the words "level, form and responsibilities of operation" and the words "and to prepare an updated study on the responsibilities of home countries with respect to the transnational corporations operating in South Africa in violation of relevant resolutions and decisions of the United Nations" were deleted from the end of the paragraph.

29. At the same meeting, the Commission adopted draft resolution E/C.10/1922/L.7/Rev.1, as orally revised (see chap. I, sect. A, draft resolution I).

30. After the adoption of the draft resolution, statements were made by the observers for Liberia (on behalf of the African States) and Portugal (on behalf of the States Members of the United Nations that are members of the European Community).

31. The Chairman also made a statement.

Chapter IV

INTERNATIONAL ARRANGEMENTS AND AGREEMENTS RELATING TO TRANSNATIONAL CORPORATIONS

32. The Commission considered item 6 of its provisional agenda at its 7th, 8th and 11th meetings, on 10, 13 and 16 April 1992. It had before it the report of the Secretary-General on the international framework for transnational corporations (E/C.10/1992/8).

33. The Assistant Director of the Transnational Corporations and Management Division of the Department of Economic and Social Development of the Secretariat, in her introductory remarks, noted that one of the main tasks assigned to the Commission on Transnational Corporations was to examine how transnational corporations interacted with States and to seek generally accepted standards for their activities and their treatment by Governments, with a view to facilitating their interaction with Governments. Although an agreed global set of standards had not yet emerged from these efforts, the work of the Commission had significantly contributed to a broad consensus on most issues. She stressed that the policy environment for foreign investment in developing countries and Central and Eastern European States had changed dramatically in recent years, mainly in response to changing economic conditions. Those changes reflected not only changing perceptions of the role of investors and Governments and the impact of market forces, but also new challenges that an international framework should address. Consequently, the report of the Secretary-General on the agenda item concerned for the current year had attempted to provide a realistic analysis of the existing international framework on foreign direct investment and its relevance for present policy concerns in the area. The report had found that most basic principles that had been already established in previous decades remained valid, though the manner in which some of those standards were currently being used, interpreted and applied by Governments and transnational corporations in the pursuance of their existing policy objectives might be different. At the same time, the enormous turn-about in the prevailing economic climate in Eastern Europe and in many developing countries had given a new perspective to traditional issues and defined other important ones. Increased, if not new, emphasis was now being placed on the regulation of certain aspects, such as privatization and competition. The need for adequate supervision of international securities exchange and financial markets had been emphasized by recent events. Similarly, the problem of corrupt practices in international transactions was not new but had in many respects been aggravated by the complexity of current economic exchanges. Such trends and the variety of instruments originating from the intensified normative activity that was now taking place within and between regional institutions enhanced the need for elaborating a comprehensive, balanced and universal framework of principles and standards affecting foreign direct investment and transnational corporation activity. A global framework would thus integrate and consolidate what had been achieved so far and would address also the new issues arising in the international agenda.

34. There was no discussion under this agenda item, although several delegations referred to the issues related to international arrangements and agreements under other agenda items.

35. In his closing statement the Chairman reported that the President of the General Assembly would convene, with the support of the Secretary-General, the next round of informal intergovernmental consultations on the Code of Conduct for Transnational Corporations during the substantive session of 1992 of the Economic and Social Council. As on previous occasions, these meetings would be open to the participation of all countries.

36. The President was proposing that delegations focus attention on the areas of the Code of Conduct on which agreement had been reached. Those areas would provide the basis for the Code document. Then, in so far as there were areas in which differences remain, these areas would constitute the focus of an ongoing process of discussion and review.

37. It was hoped that delegations would give their full support and cooperation to this approach to informal consultations on the Code of Conduct for Transnational Corporations. In this respect, the President wished to stress that in the process delegations should take into account the very significant developments that had taken place in international relations in the past few years. He was confident that those changes would make it possible for delegations to adopt a more flexible and pragmatic approach in these consultations than in the past, and he was convinced that the time was now right for reaching a significant and meaningful understanding between developing and developed countries in that crucial area of the world economy.

38. The President requested the Chairman of the Commission to chair the informal consultations. To facilitate those consultations, the Chairman might put forward some proposals and suggestions with a view to finding solutions to remaining differences, so as to try to reach an agreement on the maximum number of provisions reflected in the draft code. In this connection, if any delegation wished to make specific suggestions they should feel free to do so and bring them to the attention of the Chairman or the Director of the Transnational Corporations and Management Division of the Department of Economic and Social Development of the Secretariat.

39. The informal consultations were anticipated to run for about six working days during the Economic and Social Council substantive session. The tentative dates were 6 to 13 July 1992. Arrangements would be made to notify delegations in advance on the specific dates of the informal consultations and on the proper conference facilities including those for interpretation.

Chapter V

ACTIVITIES OF THE FORMER UNITED NATIONS CENTRE ON TRANSNATIONAL CORPORATIONS

40. The Commission considered agenda item 7 at its 7th, 8th and 9th meetings, on 10 and 13 April 1991. It had before it the following documents:

(a) Report of the Secretary-General on activities of the United Nations Centre on Transnational Corporations and of the joint units established with the regional commissions (E/C.10/1992/9);

(b) Report of the Secretary-General on experience gained in technical cooperation activities involving assistance in formulating negotiation strategies (E/C.10/1992/10);

(c) Report of the Secretary-General on information requirements for assessing the performance of corporate obligations (E/C.10/1992/11);

(d) Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its tenth session (E/C.10/1992/12).

41. The Assistant Director of the Advisory and Training Services Branch introduced the Secretary-General's report on experience gained in technical cooperation activities involving assistance in formulating negotiation strategies.

42. In the discussion that followed, the delegations stressed the importance, value and effectiveness of the technical cooperation programme of the former United Nations Centre on Transnational Corporations, despite its limited resources. Some of them expressed the hope that the recent restructuring of the Secretariat would not limit that effectiveness, but would enhance it.

43. Several delegations identified specific advisory and training services of which they were recipients and expressed their appreciation for the former Centre's expeditious response to requests for assistance. Many delegations expressed interest in increased activities in technical assistance by the Transnational Corporations and Management Division of the Department of Economic and Social Development of the Secretariat. In this regard, a number of delegations made particular mention of certain programmes or activities, including assistance to entrepreneurs in developing countries; assistance in formulating privatization and deregulation programmes; and support of interregional, regional and subregional integration, as well as institutional development related to foreign investment.

44. Several delegations made specific suggestions on improving the delivery and reporting of the Division's technical cooperation programme through, for example, the holding of regional round tables for private investors and government officials to address issues concerning their relationship; the expanding of the Division's work in the area of good governance with the aim of securing an international agreement on curtailing the use of illicit

payments; and the undertaking of detailed project evaluations to assess expenditures incurred and benefits accrued.

45. In introducing the item as it related to the comprehensive information system on transnational corporations, an Assistant Director in charge of information services noted the significance of effective collection and use of information in ensuring the implementation of contractual obligations by host countries and transnational corporations for the benefit of both of the parties involved. He also suggested that information was an important tool for ensuring transparency and accountability of international business operations. The Assistant Director drew attention to a number of specific suggestions, contained in the paper presented, aimed at making better use of the available information and enhancing national information frameworks. He said that the development of knowledge and skills to identify and effectively use information, including data on financial, operational, environmental and developmental impact, could considerably narrow the existing information imbalance between developed and developing countries. Transnationalization reflected the fact that many companies operated within many different jurisdictions and legal frameworks, which was a cause of serious difficulty in tracking the performance of corporate obligations. In this regard the Assistant Director introduced, for the consideration of the Commission, action-oriented recommendations to amend the situation. He assured the Commission that the Division would continue to serve emerging information needs of a variety of users.

46. A number of delegations expressed their satisfaction with the former Centre's work in the collection and dissemination of information. In the view of those delegations, that activity had benefited host countries, home countries and transnational corporations as potential investors, particularly by contributing to the negotiating capability of host countries. Some delegations recommended that the information function of the Division be reinforced and further expanded in the interest of all member States.

47. Some delegations stressed the fact that objective and reliable information was of special importance for many business arrangements. Another delegation commended the timeliness and expeditiousness of the former Centre's information services. Another delegation expressed its appreciation for the publications Transnational Business Information: A Manual of Needs and Sources 6/ and Transnational Corporations: A Selective Bibliography, 1988-1990, 7/ which had proved to be valuable to Governments and local users, including universities and research institutions. One delegation noted that document E/C.10/1992/9 indicated an obvious need on the part of the information system's users for macroeconomic information and for information on industries and individual companies, and called for a response to the requirement by expanding that segment of the information services.

48. Some delegations viewed access to data and information as a factor contributing to the negotiating capacity of developing countries. Those

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6/ United Nations publication, Sales No. E.91.II.A.13.

7/ United Nations publication, Sales No. E.91.II.A.10.

delegations were of the view that document E/C.10/1992/11 had been useful, informative and well presented. They also felt that the policy issues addressed in the Secretary-General's report, such as those related to transfer pricing, were of equal concern to both host and home countries. Several delegations were of the opinion that further work should be done by the Division to collect, disseminate and analyse information on financial, operational, and development impacts of transnational enterprises and on the overall economic environment that would assist countries in developing and implementing appropriate regulatory frameworks.

49. A number of requests were also made with regard to future information activities of the Division, particularly to prepare manuals on information needs and reporting requirements; to assist and advise in locating sources of necessary information; to analyse the information flows in developing countries and advise on the ways to improve them; and to conduct seminars and workshops for officials and local directors of joint venture companies and other local entities.

50. The Assistant Director of the Division's Accounting and Information Support Branch described the activities of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting. Interest in that work had increased markedly owing to needs arising from the globalization of capital markets, the transition of planned economies to market economies and pressure for increased accountability in developing countries. Consequently, the Division had carried out, on behalf of the Group, an extensive programme of research and technical cooperation and prepared reports on global and national accounting issues, environmental accounting, privatization and accounting education for the Group at its tenth session, held in March 1992. In addition, the Division had supported a programme of technical cooperation in the former Union of Soviet Socialist Republics that included producing a new chart of accounts to conform to international accounting standards and training accounting professors and practitioners, as well as over 400 university students, in Western accounting methods.

51. A number of delegates commended the Division for the high quality of its research and technical cooperation in the area of accounting. During the past year, the Division and the Group had made considerable efforts to ensure that the conditions for renewal of the Group's mandate were fulfilled and, specifically, that the work would take on a more operational focus. One delegation commended the Division and the Group for their work on environmental accounting and the recommendations finalized by the Group during the year. The delegation emphasized that enterprises would have to improve information disclosure on their environmental activities, if their financial statements were to represent a true and fair view of the enterprise's performance. The Group was also commended for its work on privatization, as the document produced for the Group at its tenth session (E/C.10/AC.3/1992/5/Add.1-7) had provided important guidance for countries in transition.

52. Most of the delegations speaking on this agenda item commended the high quality of the former Centre's research, technical cooperation and information services. A number of delegations expressed their hope that the recent incorporation of the responsibilities of the former United Nations Centre on

Transnational Corporations into the new Transnational Corporations and Management Division of the Department of Economic and Social Development of the Secretariat would lead to an enhancement of the capacity to carry out the mandate of the former Centre and that the Division would be provided with the necessary resources to effectively meet its broad and multifaceted mandate.

53. One delegation, speaking on behalf of the group of developing countries, made a statement in which he expressed their appreciation of the former Centre's substantive contribution to the debate on international economic relations. It said that the restructuring of the Secretariat had in no way affected the mandate of the programme on transnational corporations and the new Transnational Corporations and Management Division should continue to serve as the focal point for all activities related to transnational corporations and foreign direct investment. The recent changes in the structure of international economic relations had created conditions, it said, that placed transnational corporations in a position to play a central developmental role. Developing countries could benefit from the evolving role of transnational corporations by improving their understanding of the area dealing with the operational and policy-related features of those entities (the area to which the new Division might especially contribute). That delegation also urged the Division to strengthen and elaborate technical cooperation activities, particularly those relating to advisory services, expert assistance in contract negotiations and training and human resource development. It also commended the work of the former Centre on environment and climate change and on the collaborative project with the United Nations Conference on Trade and Development (UNCTAD) on the interrelationship between migration and foreign direct investment. It suggested that the practice be continued of panel discussions and presentations by expert advisers to assist the Commission in understanding various perspectives and issues relating to foreign direct investment and the activities of transnational corporations. The group of developing countries also felt that the Division, in view of its neutral role, could assist them in identifying experts for advisory services to develop appropriate fiscal regimes and investment strategies and, on request, to attract foreign direct investment.

54. One delegation from a developed country supported the goals of the programme on transnational corporations identified by the Director in his introductory statement, namely assistance to Governments in supporting the functions of markets, mobilizing human resources and encouraging entrepreneurial activities. That delegation urged the Secretariat to adopt as a benchmark for its work programme the criteria of supporting national policies and market-based approaches that would foster free enterprise and initiative and create a climate conducive to investment. The same delegation suggested that the Department of Economic and Social Development of the Secretariat relinquish environmental issues, including those related to environmental accounting, to the other United Nations bodies that had a mandate and more appropriate resources for addressing those matters. That delegation stated also that in the context of strengthening the host countries' capabilities in dealing with matters related to foreign investment no United Nations body should countenance a member State's adopting performance requirements contrary to the rules of the General Agreement on Tariffs and Trade (GATT). The delegation also reminded the Commission that no contracting process could substitute for a transparent and effective legal and regulatory regime.

55. Another delegation stated that the former Centre's work had been significant not only as a way of furthering the understanding of the phenomenon of transnationalization but also as an effective contribution to international cooperation as it related to foreign direct investment. That delegation was particularly appreciative of the former Centre's broad programme of technical cooperation, specifically in the areas of expert assessment of proposed laws and regulations on foreign direct investment and of provision of host countries with verified and reliable information on foreign investment partners and foreign investment regulations elsewhere in the world. Some delegations confirmed their approval of the scope of the programme on transnational corporations as formulated in the medium-term plan for the period 1992-1997, which they felt was extensive but realistic and responsive to the interests of all member States.

56. A delegation from a least developed country spoke of the former Centre's critical role in fostering an equitable and harmonious investment climate, particularly in the developing countries. In this regard it referred to the former Centre's assistance to his country in finalizing a mining agreement with a transnational corporation and in reviewing existing national legislation for the mining and petroleum sectors. That delegation suggested that the Division should give more attention to possible environmental implications of the activities of transnational corporations, particularly by strengthening the negotiating capacity of developing countries in this area.

57. One delegation from a country in transition spoke of the particular importance of the former Centre's technical cooperation programme which, inter alia, had addressed policies aimed at the reintegration of countries of Central and Eastern Europe into the world market, facilitated privatization efforts and accountancy development and assisted in the establishment of free economic zones and in the design of appropriate regulatory frameworks on foreign direct investment. He expressed hope that the programme on transnational corporations would continue to help countries that were facing the unprecedented challenges of economic transformation, often associated with considerable social and political tensions. He particularly urged the Division to increase its efforts in the area of privatization by undertaking relevant research, collecting and disseminating information on privatization laws and regulations and undertaking training.

58. Most delegations recognized the importance of creating a favourable climate for foreign investment and emphasized recent efforts undertaken by their respective Governments to that effect. In an increasingly interrelated world economy, those efforts involved coordination and cooperation of policies at the bilateral, regional and multilateral levels.

59. One delegation noted that in the area of international arrangements and agreements relating to transnational corporations the report of the Secretary-General (E/C.10/1992/8) had made several welcome suggestions for promoting dialogue and analysis among the Commission members, most notably on such aspects as privatization and competition, transfer pricing and corrupt practices in international transactions. The delegation stressed its support of the development of further work on those subjects, within the context of the ongoing review of the work programme, to assure the relevance and pertinence of the work programme to the mandate of the Commission and also to the changing global scene. Another delegation, noting that the work on the

Code of Conduct for Transnational Corporations had begun a decade ago, said that during that decade, developing countries had faced all the market problems that developed countries had experienced. In response to those problems the developed countries had established a regulatory infrastructure for transnational corporations. Developing countries, on the other hand, had often lacked that infrastructure, and in his view, to ignore the development of the Code would waste the efforts channelled into its drafting over the years. A balanced Code addressing the responsibilities of transnational corporations and Governments was necessary and should be adopted.

60. An expert adviser made a statement on behalf of the group of expert advisers. He said that throughout the years the former Centre had developed a unique expertise and knowledge and professional skills that should not be lost or dispersed. The new Transnational Corporations and Management Division, which fully maintained the mandate of the former United Nations Centre on Transnational Corporations, should continue to serve as the focal point within the United Nations system on issues related to foreign direct investment world wide. Moreover, in the opinion of the expert advisers, the activities of the Division should be compatible in their dimensions with the increased role of foreign direct investment and transnational corporations in both the world economy and international economic relations, and with their impact on global economic development.

61. A representative of Greenpeace International made a statement in which he strongly advised the Transnational Corporations and Management Division to undertake a programme of work on the environmental impact of the activities of transnational corporations. In his view, it was essential that the international community take the necessary steps to hold transnational corporations accountable for their environmental and developmental practices. He also noted that the Code of Conduct for Transnational Corporations had provisions that, if implemented, might deal with these problems.

62. The representative of the International Chamber of Commerce (ICC) and the International Organization of Employers considered that the report of the Secretary-General contained a helpful review of the international framework within which transnational corporations operated. In particular, it recognized that far-reaching changes had taken place in that area and called attention to the manner in which many States now interpreted and applied principles as they moved to liberalize previous restrictions. It called attention to a number of issues that were either being given new emphasis or being examined from perspectives different from those in recent decades. In his view, however, the report could have made reference to the pioneering work of ICC and the international business community in that area, signalled by the adoption of the Guidelines for International Investment as early as 1974. Also, more emphasis could have been placed on the important role of the spreading network of bilateral investment treaties in the evolution of international standards on foreign direct investment. He questioned whether the rather strict categorization of issues as either those that were settled or those on which consensus was still to be achieved held in all cases and questioned the need for further work on the Code.

63. One expert adviser to the Commission observed that the world had entered a new phase of international economic relations as a result of the fundamental changes taking place in many regions. Following those changes, there had been

a deregulation of financial markets in many countries, leaving more freedom for market forces to find solutions and adjustments. However, even if self-regulation could be sufficient in the majority of cases, it would not be sufficient in all situations. In those cases where the rules of the market did not follow those of elementary ethics, certain international standards were needed to fill the void. Also in the few cases where enterprises did not follow market rules there was a risk of upsetting confidence in the economic system and hurting other working people and other enterprises. In his view, with national markets having become less regulated, the need for a global international instrument that helped to set international standards had become more urgent. While acknowledging the existence of some international instruments in that area, the observer from ICC noted that those instruments were neither universal nor comprehensive because they covered only a handful of States and normally a single issue. Therefore, in his view, there was still a vacuum that should be filled with a global, comprehensive instrument at the United Nations level. Another expert adviser echoed these ideas and stressed that the Commission and the Secretariat had an important role to play in bringing to the attention of Governments the need for clear, more harmonized rules for both the conduct and the treatment of transnational corporations. In the opinion of that expert adviser, the work of the Secretariat on such issues had to continue.

64. The representative of the International Confederation of Free Trade Unions noted that the Code of Conduct for Transnational Corporations was the only attempt to negotiate a comprehensive, balanced and universal framework for foreign direct investment. This had been a principal activity of the Commission on Transnational Corporations and of the former Centre and should continue to be so under the new structure. He noted that it appeared that the only missing element with regard to achieving such a framework was the political will to conclude negotiations for the Code. Noting that the thematic relevance of the Code had been questioned by some Governments, he expressed the view that such concerns did not hold since the Code (because of the way it had been negotiated) conferred the political legitimacy and recognition on the role of foreign direct investment in development that had been long sought by the business community. Moreover, he observed, the profound changes in the international economy had reinforced, rather than obviated, the need for a code. Minimum standards regarding information disclosure, environmental and consumer protection and labour relations were necessary. Because such standards would be universally applicable, they would not discourage but rather enhance foreign direct investment. The Confederation had never viewed the Code as the last word in North-South relations but rather as a first step in a process of greater intergovernmental cooperation and understanding between Governments and transnational corporations. If the Code negotiations were not resumed, the issues that the Code dealt with would remain unresolved.

65. In his closing statement, the Chairman noted that deliberations during the second part of the eighteenth session had clearly indicated the extremely valuable role played by the former Centre in promoting a better understanding of all the complex yet highly relevant issues relating to foreign direct investment. The former Centre had one of the largest and most successful programmes in technical assistance to developing countries on foreign direct investment.

66. Speaking for the members of the Commission, the Chairman expressed the hope that the recent reorganization of the United Nations Secretariat would in no way affect the former Centre's work priorities, nor the resources, the effectiveness and efficiency and the quality of the work undertaken by the Division. The assurances of the new Director of the Transnational Corporations and Management Division of the Department of Economic and Social Development of the Secretariat that the reorganization would, if anything, strengthen the work of the former Centre were therefore very welcome.

67. He also read to the Commission a letter addressed to the departing Executive Director of the former United Nations Centre on Transnational Corporations.

Action taken by the Commission

68. The Commission:

(a) Took note of the reports of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations and of the joint units established with the regional commissions (E/C.10/1992/9), on experience gained in technical cooperation activities involving assistance in formulating negotiation strategies (E/C.10/1992/10) and on information requirements for assessing the performance of corporate obligations (E/C.10/1992/11) and the report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its tenth session (E/C.10/1992/12);

(b) Requested the Secretary-General to take into account, in the future work of the Transnational Corporations and Management Division as it related to the programme on transnational corporations, the views expressed by delegations at its eighteenth session and to submit to the Commission at its nineteenth session a report on the implementation of the programme on transnational corporations, accounting also for the activities of the joint units established with the regional commissions.

Activities of the former United Nations Centre on Transnational Corporations and of its successor, the Transnational Corporations and Management Division

69. At the 8th meeting, on 13 April 1992, the representative of Pakistan, on behalf of the States Members of the United Nations that are members of the Group of 77, introduced a draft resolution (E/C.10/1992/L.6) entitled "Activities of the United Nations Centre on Transnational Corporations", which read as follows:

"The Economic and Social Council

"1. Takes note of the reports of the Secretary-General on trends in foreign direct investment, 8/ on transnational corporations and economic

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8/ E/C.10/1992/3.

growth through technology, 9/ on transnational corporations in the new world economy: issues and policy implications, 10/ on the international framework for transnational corporations 11/ and on the activities of the United Nations Centre on Transnational Corporations and of the joint units established with the regional commissions; 12/

"2. Reaffirms that the Commission on Transnational Corporations and the Centre on Transnational Corporations within the Transnational Corporations and Management Division of the Department of Economic and Social Development of the Secretariat are the focal points within the United Nations system for all matters concerning foreign direct investment and the activities of transnational corporations;

"3. Emphasizes the importance of the research, technical cooperation, advisory services, training programmes and information services provided by the Centre to the States Members of the United Nations and, to this end, affirms the importance of maintaining these activities and programmes as well as improving upon them, as appropriate, under the new administrative arrangements;

"4. Requests the Centre to contribute towards increasing the transparency in the area of foreign direct investment by compiling and disseminating information provided by Member States, on a voluntary and regular basis, on their laws, regulations and administrative provisions in this field;

"5. Takes note of the report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting 13/ and reaffirms the importance of its work in contributing towards greater transparency in the activities of transnational corporations;

"6. Requests the Centre to continue to include in its technical cooperation activities advice on and the promotion of interregional, intraregional and subregional economic integration, including the possibilities and potential for strengthening economic and technical cooperation among developing countries; in this context, further requests the Centre to examine ways and means of assisting developing countries to set up joint ventures;

"7. Calls upon the developed countries to encourage transnational corporations to expand their economic activities in the developing countries and facilitate the transfer of environmentally sound technology through the adoption of innovative incentives;

9/ E/C.10/1992/4.

10/ E/C.10/1992/5.

11/ E/C.10/1992/8.

12/ E/C.10/1992/9.

13/ E/C.10/1992/12.

"8. Requests the Centre to strengthen its activities in matters relating to the role of transnational corporations in the development of small and medium-sized enterprises, including in the transfer of environmentally sound technology, and in the setting up of joint ventures between transnational corporations and local enterprises in developing countries;

"9. Requests the Centre to study the effects of deregulation and privatization policies in developing countries on attracting foreign direct investment flows and, in this context, to make appropriate recommendations thereon;

"10. Takes note of the fact that the ever-increasing role of transnational corporations in the international system of production and exchange has enhanced the need for international arrangements and agreements on transnational corporations and, to this end, invites the Centre to continue its useful work in this area;

"11. Encourages the Centre to strengthen and further develop the functions of the joint units established with the regional commissions, especially by developing programmes that are adapted to the needs of the respective regions;

"12. Calls on all donor countries, in particular the developed countries, to provide extra financial support for the research, advisory and information work of the Centre so as to contribute further to a better understanding between transnational corporations and developing countries;

"13. Requests the Centre to examine ways and means of strengthening activities in promoting foreign direct investment inflows to developing countries, in particular the least developed countries and the countries in Africa that have faced a drop in foreign direct investment inflows, and to report thereon to the Commission at its nineteenth session;

"14. Takes note of the conclusions of the Hague Symposium on Globalization and Developing Countries, and requests the Secretary-General, in collaboration with the United Nations Conference on Trade and Development and other organizations, to develop a joint programme on the interrelationship of investment, trade, technology and development, with a view to enhancing the contribution of transnational corporations to the development of developing countries through trade and investment, for consideration by the Commission at its nineteenth session."

70. At the 11th meeting, on 16 April, the Vice-Chairman of the Commission, Mr. Albert Mudenda Muchanga (Zambia), introduced a draft resolution (E/C.10/1992/L.11) entitled "Activities of the former United Nations Centre on Transnational Corporations and of its successor, the Transnational Corporations and Management Division", wich was submitted by him as a result of informal consultations held on draft resolution E/C.10/1992/L.6.

71. At the same meeting, the Commission adopted draft resolution E/C.10/1992/L.11 (see chap. I, sect. A, draft resolution II).

72. In the light of the adoption of draft resolution E/C.10/1992/L.11, draft resolution E/C.10/1992/L.6 was withdrawn by its sponsors.

73. After the adoption of the draft resolution, statements were made by the representatives of the United States of America, Pakistan and the United Kingdom of Great Britain and Northern Ireland.

Privatization and foreign investment in the context of economic restructuring

74. At the 10th meeting, on 14 April 1992, the representative of Poland introduced a draft resolution (E/C.10/1992/L.9) entitled "Privatization and foreign investment", on behalf of Argentina, Poland, Romania, the Russian Federation, the United States of America and Uruguay. Czechoslovakia subsequently joined in co-sponsoring the draft resolution, which read as follows:

"The Commission on Transnational Corporations,

"Recognizing the fact that numerous countries attach growing importance to deregulation, the privatization of enterprises, competition and demonopolization of their economic activities as means to increase economic growth and development,

"Stressing the important role that investment - in particular, foreign investment - can play in the processes of privatization in these countries,

"Taking into account the difficulties these countries encounter in the processes of privatization, deregulation and demonopolization of their economic activities, inter alia, owing to lack of developed capital markets, managerial skills, adequate infrastructure and means of valuating assets,

"Noting the work the United Nations Centre on Transnational Corporations has performed so far in analysing new approaches to the processes of privatization, deregulation and demonopolization of economic activities, such as debt equity swaps,

"1. Requests the Secretary-General, in coordination with appropriate international organizations acting in this area, to enhance technical cooperation activities in order to assist interested countries in implementing their privatization, demonopolization and deregulation strategies, through, where appropriate, stronger involvement of the business community, foreign investment and transnational corporations;

"2. Invites the Secretary-General to further explore new approaches and case-by-case studies of foreign investment to the privatization and deregulation processes and to the demonopolization of economic activities, including, inter alia, the utilization of debt equity swaps in these processes;

"3. Recognizes the need to diversify sources of funding for research and technical cooperation activities and, to that end, invites voluntary contributions to the Trust Fund for the United Nations Centre on Transnational Corporations Technical Cooperation Programme, and requests the Secretary-General to seek to mobilize resources from various sources, including non-governmental organizations, and to report the results to the Commission at its twentieth session."

75. At the 11th meeting, on 16 April, the Vice-Chairman of the Commission, Mr. Albert Mudenda Muchanga (Zambia), introduced a draft resolution (E/C.10/1992/L.10) entitled "Privatization and foreign investment in the context of economic restructuring", which was submitted by him as a result of informal consultations held on draft resolution E/C.10/1992/L.9.

76. At the same meeting, the Commission adopted draft resolution E/C.10/1992/L.10 (see chap. I, sect. A, draft resolution III).

77. In the light of the adoption of draft resolution E/C.10/1992/L.10, draft resolution E/C.10/1992/L.9 was withdrawn by its sponsors.

78. After the adoption of the draft resolution, the representative of the Russian Federation made a statement.

Chapter VI

QUESTION OF EXPERT ADVISERS

79. The Commission considered item 8 of its provisional agenda at its 9th meeting, on 13 April 1992.

80. The Director of the Transnational Corporations and Management Division indicated that the selection of expert advisers to the Commission on Transnational Corporations, which took place every two years, was one of the tasks before the Commission at the present session. He observed that the group of independent experts was a unique feature of the Commission. It had been created to assist the Commission and the former Centre in providing advice on matters under consideration. In that way, the multidisciplinary nature of the Commission had been enhanced. As in the past, the present group of expert advisers had contributed in significant ways to the implementation of the Commission's mandate and had also been helpful in designing and interpreting major aspects of the former Centre's work programme. The Director expressed his gratitude in particular to those expert advisers who were retiring at this session for their dedication to the goals of the Commission and for the so generous sharing of their knowledge and experience.

81. He then referred to the nominees for the position of expert adviser. He observed that the names of candidates from business and other backgrounds had not been included, since their nominations could not have been confirmed in time (before the meeting). Therefore, he proposed that the Commission leave those positions open and authorize the Director of the Division, in consultation with the Chairman of the Commission, to fill those positions as soon as the nominations were confirmed.

Action taken by the Commission

82. The Commission:

(a) Thanked the retiring expert advisers for their valuable contribution and decided to select the following expert advisers to serve until the end of the twentieth session:

		Academic background
Peter HANSEN (Denmark)	Born:	1941
	Education:	Doctor of Philosophy (Ph.D.), economics, law and politics, Aarhns University
	Present post:	Professor at the Copenhagen School of Economics

	Posts held:	Executive Director of the United Nations Centre on Transnational Corporations; Professor of Social Sciences, Odense University; Assistant Professor, Odense University
Ivan IVANOV (Russian Federation)	Born:	1934
	Education:	Ph.D., economics, University of Moscow
	Present post:	Deputy Director, Institute of Foreign Economic Studies, Moscow
	Posts held:	Chief of Economics Department, State Foreign Economic Commission of the Soviet Council of Ministers; Professor at the Institute of World Economy and International Relations, Moscow; Economic affairs officer, UNCTAD Secretariat; Chief of Division, Institute of United States and Canadian Studies, Moscow

(b) Authorized the Director of the Division, in consultation with the Chairman of the Commission, to fill the other vacant posts for the position of expert adviser as soon as the nominations were confirmed.

* * *

83. In his concluding statement, the Chairman of the Commission read a statement by Mr. Gösta Karlsson, on behalf of the expert advisers to the Commission, in which they expressed their grave concern regarding the situation of one of the expert advisers to the Commission, Mr. Chakufwa Chihana.

Chapter VII

PROVISIONAL AGENDA FOR THE NINETEENTH SESSION OF THE COMMISSION

84. The Commission considered item 9 of its agenda at its 11th meeting, on 16 April 1992. It had before it the provisional agenda for the nineteenth session approved by the Economic and Social Council at its second regular session of 1991 (decision 1991/285).

85. At the same meeting, the Commission decided to include in the documentation two reports relating to transnational corporations and the environment and the activities of transnational corporations in South Africa, to be submitted under item 7 of the provisional agenda, which was corrected to read "Activities of the Transnational Corporations and Management Division and its joint units". The Commission then decided to recommend to the Economic and Social Council approval of the provisional agenda and documentation for the nineteenth session, as orally amended (see chap. I, sect. B, above).

Chapter VIII

ADOPTION OF THE REPORT OF THE COMMISSION ON THE SECOND PART OF ITS EIGHTEENTH SESSION

86. At its 11th meeting, on 16 April 1992, the Commission adopted the draft report on the second part of its eighteenth session (E/C.10/1992/L.8 and Add.1-4), as orally revised by the Rapporteur.

Chapter IX

ORGANIZATION OF THE SESSION

A. Opening and duration of the session

87. The Commission on Transnational Corporations held the second part of its eighteenth session at United Nations Headquarters from 8 to 16 April 1992. The Commission held 9 meetings (3rd to 11th).

88. The Chairman made an opening statement.

89. Opening statements were also made by the Officer-in-Charge of the Department of Economic and Social Development of the Secretariat and the Director of the Transnational Corporations and Management Division of the Department of Economic and Social Development.

B. Attendance

90. The following States members of the Commission attended the session: Argentina, Bangladesh, Belgium, Bulgaria, Burundi, Chile, China, Colombia, Congo, Costa Rica, Czechoslovakia, Egypt, France, Gabon, Germany, Ghana, Guatemala, India, Indonesia, Iran (Islamic Republic of), Iraq, Italy, Jamaica, Japan, Kenya, Mexico, Netherlands, Pakistan, Peru, Philippines, Poland, Republic of Korea, Romania, Russian Federation, Sierra Leone, Sudan, Swaziland, Sweden, Switzerland, Thailand, Tunisia, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, Zambia and Zimbabwe.

91. The following expert advisers attended the session: José Maria Basagoiti (Mexico), Antonio Colombo (Italy), Peter Frerk (Germany), Gösta Karlsson (Sweden), Samuel Esson Kwesi Jonah (Ghana), Wang Linsheng (China), Lawrence C. McQuade (United States of America), Karl-Erik Onnesjo (Sweden), Sylvia Ostry (Canada), Rudolf A. Oswald (United States of America), Oscar Schachter (United States of America) and Nikolai Zaitsev (Russian Federation).

92. The following States Members of the United Nations were represented as observers: Algeria, Australia, Belarus, Bolivia, Brazil, Cuba, Haiti, Hungary, Libyan Arab Jamahiriya, Mauritania, Nicaragua, Senegal and Turkey.

93. The following specialized agencies were represented: International Labour Organisation, World Bank, United Nations Industrial Development Organization.

94. The following non-governmental organizations in consultative status with the Economic and Social Council, category I, were represented by observers: International Chamber of Commerce, International Confederation of Free Trade Unions, International Organization of Consumers Unions, World Federation of Trade Unions.

95. The following non-governmental organization in consultative status with the Economic and Social Council, category II, was represented by an observer: Greenpeace International.

C. Election of officers

96. At its 1st and 2nd meetings, on 23 and 25 January 1992, the Commission had elected a Chairman, two Vice-Chairmen and a Rapporteur (see document E/1992/26, para. 32).

97. At the 4th meeting, on 8 April 1992, the Commission elected by acclamation Ms. Lucille Mair (Jamaica) as Vice-Chairman of the Commission to replace Mr. Herbert Samuel Walker (Jamaica), who had been elected at the 2nd meeting of the Commission, on 25 January 1992.

98. The remaining post of Vice-Chairman was not filled.

99. The Bureau of the Commission, as elected at its 1st, 2nd and 4th meetings, on 23 and 25 January and 8 April 1992, was thus as follows:

Chairman: Mr. Farook Sobhan (Bangladesh)

Vice-Chairmen: Mr. Albert Mudenda Muchanga (Zambia)
Ms. Lucille Mair (Jamaica)

Rapporteur: Mr. Wojciech Ponikiewski (Poland)

D. Adoption of the agenda and organization of work

100. At its 3rd meeting, on 8 April, the Commission adopted the provisional agenda contained in document E/C.10/1992/1/Add.1 (see annex I).

E. Documentation

101. The documents before the Commission at the second part of its eighteenth session are listed in annex II.

Annex I

AGENDA OF THE SECOND PART OF THE EIGHTEENTH SESSION

1. Election of officers.

2. Adoption of the agenda and organization of work.

3. General discussion on transnational corporations in the world economy and trends in foreign direct investment in developing countries.

4. Transnational corporations and the environment.

5. Transnational corporations in South Africa.

6. International arrangements and agreements relating to transnational corporations.

7. Activities of the former United Nations Centre on Transnational Corporations and its joint units.

8. Question of expert advisers.

9. Provisional agenda for the nineteenth session of the Commission.

10. Adoption of the report of the Commission on the second part of its eighteenth session.

Annex II

DOCUMENTS BEFORE THE COMMISSION AT THE SECOND PART OF ITS EIGHTEENTH SESSION

Document symbol	Agenda item	Title or description
E/C.10/1992/1/Add.1	2	Provisional agenda (Part II)
E/C.10/1992/3	3	Report of the Secretary-General on trends in foreign direct investment
E/C.10/1992/4	3	Report of the Secretary-General on transnational corporations and economic growth through technology
E/C.10/1992/5	3	Report of the Secretary-General entitled "Transnational corporations in the new world economy: issues and policy implications"
E/C.10/1992/6 and Corr.1	5	Report of the Secretary-General on the role of transnational corporations in South Africa
E/C.10/1992/7	5	Report of the Secretary-General entitled "List of transnational corporations with interests in South Africa"
E/C.10/1992/8	6	Report of the Secretary-General on the international framework for transnational corporations
E/C.10/1992/9	7	Report of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations and of the joint units established with the regional commissions
E/C.10/1992/10	7	Report of the Secretary-General on experience gained in technical cooperation activities involving assistance in formulating negotiation strategies
E/C.10/1992/11	7	Report of the Secretary-General on information requirements for assessing the performance of corporate obligations

Document symbol	Agenda item	Title or description
E/C.10/1992/12	7	Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its tenth session
E/C.10/1992/L.5	2	Status of documentation for the session
E/C.10/1992/L.6	3, 6, 7	Activities of the United Nations Centre on Transnational Corporations: draft resolution submitted by Pakistan, on behalf of the States Members of the United Nations that are members of the Group of 77
E/C.10/1992/L.7 and Rev.1	5	Activities of transnational corporations in South Africa: draft resolution submitted by Liberia, on behalf of the African States
E/C.10/1992/L.8 and Add.1-4	10	Draft report
E/C.10/1992/L.9	7	Privatization and foreign investment: draft resolution submitted by Argentina, Czechoslovakia, Poland, Romania, the Russian Federation, the United States of America and Uruguay
E/C.10/1992/L.10	7	Privatization and foreign investment in the context of economic restructuring: draft resolution submitted by the Vice-Chairman of the Commission, Mr. Albert Mudenda Muchanga (Zambia), as a result of informal consultations held on draft resolution E/C.10/1992/L.9
E/C.10/1992/L.11	3, 6, 7	Activities of the former United Nations Centre on Transnational Corporations and of its successor, the Transnational Corporations and Management Division: draft resolution submitted by the Vice-Chairman of the Commission, Mr. Albert Mudenda Muchanga (Zambia), as a result of informal consultations held on draft resolution E/C.10/1992/L.6